



**Auditor of State
Betty Montgomery**

VILLAGE OF URBANCREST
FRANKLIN COUNTY

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Village of Urbancrest
Franklin County
3357 Central Avenue
Urbancrest, Ohio 43123

To the Village Council:

We have audited the accompanying financial statements of the Village of Urbancrest, Franklin County, Ohio, (the Village) as of and for the years ended December 31, 2003, December 31, 2002, and December 31, 2001. These financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. However, *Government Auditing Standards* permits the Auditor of State to audit and opine on this entity, because Ohio Revised Code § 117.101 requires the Auditor of State to provide UAN services, and Ohio Revised Code §§ 117.11(B) and 115.56 mandate the Auditor of State to audit Ohio governments.

We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Village prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances of the Village as of December 31, 2003, December 31, 2002 and December 31, 2001, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2004 on our consideration of the Village's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

This report is intended solely for the information and use of the audit committee, management, Village Council and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 22, 2004

**VILLAGE OF URBANCREST
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$5,004	\$1,807	\$0	\$6,811
Municipal Income Taxes	159,841			159,841
Special Assessments	18,165			18,165
Intergovernmental Receipts	133,813	6,535		140,348
Fines, Licenses, and Permits	5,556			5,556
Earnings on Investments	2,811		573	3,384
Miscellaneous	28,893			28,893
	<u>354,083</u>	<u>8,342</u>	<u>573</u>	<u>362,998</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	26,909			26,909
Leisure Time Activities	64,071			64,071
Community Environment	21,171			21,171
Transportation	76,935	14,350	1,957	93,242
General Government	203,517			203,517
Capital Outlay			3,600	3,600
	<u>392,603</u>	<u>14,350</u>	<u>5,557</u>	<u>412,510</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(38,520)</u>	<u>(6,008)</u>	<u>(4,984)</u>	<u>(49,512)</u>
Other Financing Receipts and (Disbursements):				
Advances-In	134	134		268
Advances-Out	(134)	(134)		(268)
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Receipts/(Disbursements)				
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(38,520)	(6,008)	(4,984)	(49,512)
Fund Cash Balances, January 1	90,987	23,781	36,492	151,260
Fund Cash Balances, December 31	<u><u>\$52,467</u></u>	<u><u>\$17,773</u></u>	<u><u>\$31,508</u></u>	<u><u>\$101,748</u></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$16,281
Fees and Permits	9,320
	25,601
Operating Cash Disbursements:	
Personal Services	678
Fringe Benefits	83
Contractual Services	1,125
Capital Outlay	60,349
	62,235
Operating Income/(Loss)	(36,634)
Non-Operating Cash Receipts:	
Intergovernmental Receipts	35,694
Total Non-Operating Cash Receipts	35,694
Non-Operating Cash Disbursements:	
Debt Service	5,886
	5,886
Net Receipts Over/(Under) Disbursements	(6,826)
Fund Cash Balances, January 1	251,597
Fund Cash Balances, December 31	\$244,771

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Governmental Fund Types</u>			<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$4,551	\$1,711	\$0	\$6,262
Municipal Income Taxes	157,395			157,395
Intergovernmental Receipts	138,129	6,599		144,728
Fines, Licenses, and Permits	2,580			2,580
Earnings on Investments	833		1,344	2,177
Miscellaneous	46,416	9	0	46,425
	<u>349,904</u>	<u>8,319</u>	<u>1,344</u>	<u>359,567</u>
Total Cash Receipts				
Cash Disbursements:				
Current:				
Security of Persons and Property	20,763			20,763
Leisure Time Activities	91,309			91,309
Community Environment	32,182			32,182
Transportation	60,091	9,075	17,610	86,776
General Government	203,107		3,275	206,382
	<u>407,452</u>	<u>9,075</u>	<u>20,885</u>	<u>437,412</u>
Total Cash Disbursements				
Total Receipts Over/(Under) Disbursements	<u>(57,548)</u>	<u>(756)</u>	<u>(19,541)</u>	<u>(77,845)</u>
Fund Cash Balances, January 1	<u>148,535</u>	<u>24,537</u>	<u>56,033</u>	<u>229,105</u>
Fund Cash Balances, December 31	<u><u>\$90,987</u></u>	<u><u>\$23,781</u></u>	<u><u>\$36,492</u></u>	<u><u>\$151,260</u></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$16,058
Fees and Permits	6,490
	22,548
Total Operating Cash Receipts	22,548
Operating Cash Disbursements:	
Personal Services	854
Fringe Benefits	86
Contractual Services	9,198
	10,138
Total Operating Cash Disbursements	10,138
Operating Income/(Loss)	12,410
Non-Operating Cash Disbursements:	
Debt Service	5,886
	5,886
Total Non-Operating Cash Disbursements	5,886
Net Receipts Over/(Under) Disbursements	6,524
Fund Cash Balances, January 1	245,073
Fund Cash Balances, December 31	\$251,597

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			Totals (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
Cash Receipts:				
Property Tax and Other Local Taxes	\$2,241	\$1,769	\$0	\$4,010
Municipal Income Taxes	115,040			115,040
Intergovernmental Receipts	153,285	6,920		160,205
Fines, Licenses, and Permits	1,150			1,150
Earnings on Investments	6,794		3,985	10,779
Miscellaneous	21,153	7		21,160
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Receipts	299,663	8,696	3,985	312,344
	<hr/>	<hr/>	<hr/>	<hr/>
Cash Disbursements:				
Current:				
Security of Persons and Property	17,636			17,636
Public Health Services	1,718			1,718
Leisure Time Activities	24,076			24,076
Community Environment	93,779			93,779
Transportation	25,374	30,012		55,386
General Government	326,185			326,185
	<hr/>	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	488,768	30,012	0	518,780
	<hr/>	<hr/>	<hr/>	<hr/>
Total Receipts Over/(Under) Disbursements	(189,105)	(21,316)	3,985	(206,436)
	<hr/>	<hr/>	<hr/>	<hr/>
Other Financing Receipts and (Disbursements):				
Other Sources	1,000			1,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	1,000	0	0	1,000
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	(188,105)	(21,316)	3,985	(205,436)
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, January 1	336,640	45,853	52,048	434,541
	<hr/>	<hr/>	<hr/>	<hr/>
Fund Cash Balances, December 31	<u>\$148,535</u>	<u>\$24,537</u>	<u>\$56,033</u>	<u>\$229,105</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES - PROPRIETARY FUND TYPE
FOR THE YEAR ENDED DECEMBER 31, 2001**

	Proprietary Fund Type
	Enterprise
Operating Cash Receipts:	
Charges for Services	\$14,890
Fees and Permits	5,600
	20,490
Operating Cash Disbursements:	
Personal Services	945
Fringe Benefits	125
	1,070
Operating Income/(Loss)	19,420
Non-Operating Cash Disbursements:	
Debt Service	5,886
Other Non-Operating Cash Disbursements	13,791
	19,677
Net Receipts Over/(Under) Disbursements	(257)
Fund Cash Balances, January 1	245,330
Fund Cash Balances, December 31	\$245,073

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003, 2002 AND 2001**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

The Village of Urbancrest, Franklin County, Ohio, (the Village) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Village is directed by a publicly-elected six-member Council. The Village provides water and sewer utilities. The Village contracts with the Franklin County Sheriff's department to provide security of persons and property.

The Village's management believes these financial statements present all activities for which the Village is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or disbursements, respectively.

The repurchase agreement and certificate of deposit are valued at cost.

D. Fund Accounting

The Village uses fund accounting to segregate cash and investments that are restricted as to use. The Village classifies its funds into the following types:

1. General Fund

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

2. Special Revenue Fund

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Village had the following significant Special Revenue Fund:

Street Construction, Maintenance and Repair Fund - This fund receives gasoline tax and motor vehicle tax money for constructing, maintaining and repairing Village streets.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Fund Accounting (Continued)

3. Capital Projects Fund

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Village had the following significant Capital Projects Fund:

Capital Improvement Fund - This fund receives donations from business within the Village to be used for capital improvements.

4. Enterprise Funds

These funds account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges. The Village had the following significant Enterprise Funds:

Water Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

Sewer Fund - This fund receives charges for services from residents to cover the cost of providing this utility.

E. Budgetary Process

The Ohio Revised Code requires that each fund be budgeted annually.

1. Appropriations

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Council must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year end.

2. Estimated Resources

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Encumbrances (Continued)

The Ohio Revised Code requires the Village to reserve (encumber) appropriations when commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Village did not encumber all commitments required by Ohio law.

A summary of 2003, 2002 and 2001 budgetary activity appears in Note 3.

F. Property, Plant and Equipment

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the Village's basis of accounting.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Village maintains a cash and investments pool used by the General and Special Revenue Funds. The Village maintains separate demand deposits for the Capital Projects Fund and Enterprise Funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at December 31 was as follows:

	2003	2002	2001
Demand deposits	\$333,592	\$390,013	\$223,484
Certificate of deposit	12,927	12,844	12,676
Total deposits	<u>346,519</u>	<u>402,857</u>	<u>236,160</u>
Repurchase agreement	0	0	238,018
Total investments	<u>0</u>	<u>0</u>	<u>238,018</u>
Total deposits and investments	<u>\$346,519</u>	<u>\$402,857</u>	<u>\$474,178</u>

Deposits: Deposits are either (1) insured by the Federal Depository Insurance Corporation or (2) collateralized by the financial institution's public entity deposit pool.

Investments: State statutes permit the Village to invest in interim deposits in repurchase agreements, that is, an agreement in which the Village transfers cash to a financial institution; the financial institution transfers securities to the Village and promises to repay the cash plus interest in exchange for the same securities. The said securities are uninsured and unregistered and are held in book entry form by a third party, the Federal Reserve, in the name of the financial institution. The purchased securities are limited to U.S. Treasury and Agency Notes.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ended December 31, 2003, 2002 and December 31, 2001 follows:

2003 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$476,128	\$354,083	(\$122,045)
Special Revenue	10,000	8,342	(1,658)
Capital Projects	0	573	573
Enterprise	83,000	61,295	(21,705)
Total	<u>\$569,128</u>	<u>\$424,293</u>	<u>(\$144,835)</u>

2003 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$614,299	\$392,603	\$221,696
Special Revenue	18,522	14,350	4,172
Capital Projects	49,854	5,557	44,297
Enterprise	273,905	68,121	205,784
Total	<u>\$956,580</u>	<u>\$480,631</u>	<u>\$475,949</u>

2002 Budgeted vs. Actual Receipts

Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$420,091	\$349,904	(\$70,187)
Special Revenue	15,000	8,319	(6,681)
Capital Projects	10,000	1,344	(8,656)
Enterprise	35,000	22,548	(12,452)
Total	<u>\$480,091</u>	<u>\$382,115</u>	<u>(\$97,976)</u>

2002 Budgeted vs. Actual Budgetary Basis Expenditures

Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$664,500	\$407,452	\$257,048
Special Revenue	39,544	9,075	30,469
Capital Projects	64,900	20,885	44,015
Enterprise	274,500	16,024	258,476
Total	<u>\$1,043,444</u>	<u>\$453,436</u>	<u>\$590,008</u>

**VILLAGE OF URBANCREST
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003, 2002 AND 2001**

3. BUDGETARY ACTIVITY (Continued)

2001 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$347,984	\$300,663	(\$47,321)
Special Revenue	8,000	8,696	696
Capital Projects	2,000	3,985	1,985
Enterprise	30,000	20,490	(9,510)
Total	\$387,984	\$333,834	(\$54,150)

2001 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$647,000	\$488,768	\$158,232
Special Revenue	54,443	30,012	24,431
Capital Projects	50,560	0	50,560
Enterprise	231,000	20,747	210,253
Total	\$983,003	\$539,527	\$443,476

Contrary to Ohio law, the Village transferred \$25,621 from the Capital Improvement Fund to the General and Street Construction Maintenance and Repair Funds in 2002.

4. PROPERTY TAX

Real property taxes become a lien on the January 1 preceding the October 1 date for which rates are adopted by Village Council. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payments, the first half is due December 31. The second half payment is due the following June 20.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Village.

5. LOCAL INCOME TAX

The Village levies a municipal income tax of 2% percent on all earned income arising from employment within the Village.

Employers within the Village withhold income tax on employee compensation and remit the tax to the Village quarterly, as required.

**VILLAGE OF URBANCREST
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003, 2002 AND 2001**

6. DEBT

Debt outstanding at December 31, 2003 was as follows:

	Principal	Interest Rate
Ohio Public Works Commission	\$53,355	3.5%
Credit Card with Huntington National Bank	2,723	10%

The Ohio Public Works Commission (OPWC) loan relates to utility construction projects under the Pure Water Series I Construction Fund Agreement, dated April 15, 1990. The loan is collateralized by water and sewer receipts. The loan will be repaid in semi-annual installments of \$2,943, including interest.

The Village utilizes a credit card for some purchases.

Amortization of the above OPWC debt, including interest, is scheduled as follows:

	OPWC Loan
Year ending December 31:	
2004	\$5,886
2005	5,886
2006	5,886
2007	5,886
2008	5,886
2009 - 2013	29,430
2014 - 2017	5,886
Total	\$64,746

7. RETIREMENT SYSTEMS

The Village's full-time and part-time employees and some elected officials belong to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including postretirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2003, 2002 and 2001, PERS members contributed 8.5% of their wages. The Village contributed an amount equal to 13.55% of participants' gross salaries for 2003, 2002 and 2001. The Village has paid all contributions required through December 31, 2003.

8. SOCIAL SECURITY

The Village's part-time student intern and some elected officials belong to the Social Security Administration and pay FICA taxes.

FICA contribution rates are approved by the United States Congress. Members of FICA contributed 6.2% of their wages to FICA. The Village also contributed an amount equal to 6.2% of their wages.

The Village has paid all contributions required through December 31, 2003.

9. RISK MANAGEMENT

**VILLAGE OF URBANCREST
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003, 2002 AND 2001
(Continued)**

The Village belongs to the Ohio Municipal Joint Self-Insurance Pool, (the "Pool"), an unincorporated non-profit association available to municipal corporations and their instrumentalities. Pursuant to Section 2744.081 of the Ohio Revised Code, the Plan is deemed a separate legal entity. The Pool provides a program of property and casualty insurance for its members. The Plan pays judgments, settlements and other expenses resulting for covered claims that exceed the members' deductibles.

Casualty excess-of-loss contracts at December 31, 2002 and 2001 generally protect against individual losses exceeding \$150,000 for policies issued prior to April 1, 2000; \$100,000 for policies issued between April 1, 2000 and March 31, 2002; and \$125,000 for policies issued April 1, 2002 or later.

Property coverage contracts protect against losses, subject to a deductible of \$50,000, limited to an annual aggregate loss of the greater of \$300,000 or 1% of total coverage.

The Pool cedes reinsurance to reinsurers or excess reinsurers. The Pool is contingently liable should any reinsurer become unable to meet its obligations under the reinsurance agreements.

The Pool's financial statements (audited by other auditors) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained deficit at December 31, 2002 and 2001 (the latest information available):

	<u>2002</u>	<u>2001</u>
Assets	\$1,852,060	\$3,354,251
Liabilities	<u>(3,627,321)</u>	<u>(4,851,866)</u>
Retained deficit	<u>(\$1,775,261)</u>	<u>(\$1,497,615)</u>

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Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS

Village of Urbancrest
Franklin County
3357 Central Avenue
Urbancrest, Ohio 43123

To the Village Council:

We have audited the accompanying financial statements of the Village of Urbancrest, Franklin County, Ohio, (the Village) as of and for the years ended December 31, 2003, December 31, 2002, and December 31, 2001, and have issued our report thereon dated June 22, 2004 wherein we noted that the Village's financial transactions were processed using the Auditor of State's Uniform Accounting Network (UAN). *Government Auditing Standards* considers this service to impair the independence of the Auditor of State to conduct the audit of the Village because the Auditor of State designed, developed, implemented, and, as requested, operates UAN. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying schedule of findings as items 2003-001 through 2003-003. We also noted certain immaterial instances of noncompliance that we have reported to management of the Village in a separate letter dated June 22, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Village's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 2003-004 and 2003-005.

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A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal controls that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe none of the reportable conditions described above is a material weakness. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the Village in a separate letter dated June 22, 2004.

This report is intended solely for the information and use of the audit committee, management and Village Council, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 22, 2004

**VILLAGE OF URBANCREST
FRANKLIN COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2003, 2002 AND 2001**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2003-001

Ohio Rev. Code Section 5705.41 (D) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

There are several exceptions to the standard requirement stated above that a fiscal officer's certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: "then and now" certificates, blanket certificates and super blanket certificates, which are provided for in sections 5705.41 (D)(1) and 5705.41 (D)(3), respectively, of the Ohio Revised Code.

If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the Village can authorize the drawing of a warrant for the payment of the amount due. The Village has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

Amounts less than \$3,000 (\$1,000 prior to April 7, 2003) may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of the expenditures by the Village.

Fiscal officers may prepare "blanket" certificates not exceeding \$5,000 against any specific line item account over a period not exceeding three months or running beyond the current year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation. (Subsequent to September 26, 2003, blanket certificates are permitted only if the Village has approved their use and subject to the maximum amount approved by the Village. These certificates are no longer limited to three months.)

The Village may also make expenditures and contracts for any amount from a specific line item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operation expense. This certification is not to extend beyond the current year. More than one so-called "super blanket" certificate may be outstanding at a particular time for any line item appropriation.

The Village did not certify the availability of funds prior to the purchase commitment for sixty percent of expenditures tested. For these items, the Village also did not prepare blanket certificates, super blanket certificates or then and now certificates in accordance with the section. Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Village's funds exceeding budgetary spending limitations, we recommend the Clerk/Treasurer certify that the funds are or will be available prior to obligation by the Village. When prior certification is not possible, "then and now" certification should be used.

FINDING NUMBER 2003-002

Ohio Rev. Code Section 5705.14 states money may be transferred from the General fund to any other fund of the subdivision by resolution of the taxing authority.

In 2002, the Village transferred \$19,424 to the General Fund and \$6,197 to the Street Construction, Maintenance and Repair Fund (Special Revenue) from the Capital Improvement Fund (Capital Projects) in order to properly record capital expenditures misposted to the General and Street Construction, Maintenance and Repair funds. However, the Village was not able to provide supporting documentation for any expenditure that had been misposted. These transfers were not approved by Council, nor did they meet the criteria of exceptions to allowable transfers.

We recommend Council approve all interfund transfers by resolution. The resolution should be approved prior to the transfer of funds. In addition, the Village should review the *Ohio Compliance Supplement* for a summary and the Ohio Revised Code for details concerning allowable transfer provisions.

The financial statements have been adjusted to eliminate these transfers. As a result of these adjustments, the Street Constructions, Maintenance and Repair Fund has a deficit fund balance of \$3,679 as of December 31, 2003. Ohio Rev. Code Section 5705.10 states that money that is paid into a fund must be used solely for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund. We recommend the Village transfer adequate resources from the General Fund to rectify this deficit and any additional deficit that may have accumulated through the date of this report.

FINDING NUMBER 2003-003

On July 9, 2002, Council approved the hiring of Royal Chambers as a street worker effective July 15, 2002 at \$8.50/hr. Council authorized a 3% increase for all employees, retroactive to January 1, 2003 on February 4, 2003, Resolution 03-08. Council also authorized a \$0.25/hr increase for Royal Chambers on February 4, 2003, effective February 3, 2003, Resolution 03-09.

In error, the Village paid Royal Chambers \$8.76/hr for the period of July 15, 2002 through December 31, 2002, resulting in an overpayment in the amount of \$245.70; and \$9.28/hr for the period of January 1, 2003 through December 31, 2003, resulting in an overpayment of \$671.88.

In accordance with the foregoing facts pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery is hereby issued against Royal Chambers, Phyllis Mitchell, Assistant Treasurer, and Christine Bailey, Clerk/Treasurer, jointly and severally, for public money illegally expended in the amount of \$917.58, and in favor of the Village of Urbancrest General Fund in the amount of \$675.16 and the Street Construction, Maintenance and Repair Fund in the amount of \$242.42.

FINDING NUMBER 2003-004

Bank Reconciliations

All Village bank accounts should be reconciled monthly. The bank reconciliations should include a listing of all reconciling items, including outstanding checks, that is supported by the financial records.

The Village did not reconcile the Capital Project bank account or Enterprise Fund account, during the audit period. Reconciliations for the regular account prepared by the Village did not include all reconciling items. Explanations and supporting documentation was not included in the reconciliations for reconciling items that were not outstanding checks.

Lack of accurate and complete bank reconciliations could result in errors or irregularities going undetected.

We recommend the Clerk/Treasurer ensure bank reconciliations are completed for all accounts and include support for all reconciling items, e.g. outstanding checks. Other adjusting factors should be explained and agree to the financial records. Bank reconciliations should be completed in a timely manner. We also recommend the Council review and approve bank reconciliations each month.

FINDING NUMBER 2003-005

Records of Financial Activity

The Village should maintain adequate supporting documentation for all financial activity. This information should be maintained in an orderly and accessible manner.

The Village could not always provide adequate supporting documentation for receipts (i.e., income tax remittances) or disbursements (i.e., purchase orders and invoices). Twenty percent of the income tax remittances tested did not have supporting documentation and forty-four percent of disbursements tested did not have a purchase order and/or invoice. Lack of supporting documentation could result in miscoding of financial activity in the accounting system and other errors.

We recommend the Clerk/Treasurer ensure adequate supporting documentation is maintained for all financial transactions in a more orderly and accessible manner. The documentation should agree to the posting. We also recommend that an individual independent of the processing of financial activity periodically ensure financial records are being maintained.



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VILLAGE OF URBANCREST

FRANKLIN COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 24, 2004**